

Message Text

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ACTION SS-25

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R 122141Z NOV 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6488

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 17460

EXDIS

FOR SONNENFELDT FROM DOBBINS

E.O. 11652: GDS

TAGS: ECON

SUBJECT: DRAFT COMMUNIQUE

1. FOLLOWING IS TEXT OF FRG "DRAFT COMMUNIQUE" DISTRIBUTED AT THE OPENING OF NOVEMBER 12 MEETING:
BEGIN TEXT: DRAFT COMMUNIQUE"
AT THE INVITATION OF THE FRENCH PRESIDENT AND CARRYING OUT THEIR COMMON INTENTION, THE HEADS OF STATE AND GOVERNMENT OF FRANCE, THE UNITED STATES OF AMERICA, THE FEDERAL REPUBLIC OF GERMANY, ITALY, JAPAN AND GREAT BRITAIN MET AT CHATEAU RAMBOUILLET FROM 15 TO 17 NOVEMBER 1975 FOR AN INFORMAL EXCHANGE OF VIEWS ON WORLD ECONOMIC PROBLEMS AND THE OUTLOOK FOR THE FUTURE. PRESIDENT GISCARD D'ESTAING, PRESIDENT FORD, FEDERAL CHANCELLOR SCHMIDT, PRIME MINISTER MORO, PRIME MINISTER MIKI, AND PRIME MINISTER WILSON, WERE ACCOMPANIED BY THEIR FOREIGN AND FINANCE MINISTERS.
IN VIEW OF THE CLOSE INTERDEPENDENCE OF NATIONAL ECONOMIES AND OF THE SPECIAL RESPONSIBILITY OF THE LEADING INDUSTRIAL COUNTRIES FOR THE WORLD ECONOMY AS A WHOLE, THE CURRENT WORLD ECONOMIC SITUATION AND ITS PROSPECTS WERE BOTH THE STARTING AND THE FOCAL POINT OF THE TALKS. THE HEADS OF GOVERNMENT NOTED WITH SATISFACTION THAT AS A RESULT OF CLOSE INTERNATIONAL CO-OPERATION AND THE MEASURES ALREADY TAKEN IT HAD BEEN POSSIBLE TO LEAVE THE NADIR OF
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THE WORST WORLD ECONOMIC RECESSION FOR OVER FORTY YEARS,

AND THAT THE WORLD ECONOMY WAS SHOWING SIGNS OF A GRADUAL RECOVERY. IN THE WINTER HALF-YEAR 1975/76 ECONOMIC ACTIVITY WAS LIKELY TO PICK UP IN MORE AND MORE COUNTRIES. THEY NOTED FURTHER THAT IN THE UNITED STATES AND JAPAN SALES AND PRODUCTION WERE ALREADY INCREASING AGAIN, AND IN WESTERN EUROPE, TOO, DEMAND AND PRODUCTION NO LONGER SHOW A GENERAL DOWNWARD TREND.

THE HEADS OF STATE AND GOVERNMENT REAFFIRMED THEIR DETERMINATION TO CONTINUE THEIR CLOSE CO-ORDINATION OF ECONOMIC POLICY AND CO-OPERATION AND TO PLACE SPECIAL EMPHASIS ON MEASURES TO COMBAT UNEMPLOYMENT. THEY AGREED THAT IN THIS CONNECTION SPECIAL IMPORTANCE ATTACHED TO GREATER INVESTMENT ACTIVITY, THAT THE GROWTH OF HOME DEMAND WOULD ALSO GIVE FRESH IMPULSES TO INTERNATIONAL TRADE AND THAT INCREASING IMPORTANCE SHOULD NOW BE ATTACHED TO MONEY, CREDIT AND INTEREST RATE POLICIES IF A CONTINUING UPSWING WAS TO BE ENSURED.

FOLLOWING THE LATEST OECD FORECAST, THE HEADS OF GOVERNMENT EXPECTED THE INDUSTRIAL COUNTRIES TO EXPERIENCE A DISTINCT, REAL GROWTH OF GROSS NATIONAL PRODUCT IN 1976. THE HEADS OF GOVERNMENT WERE AGREED THAT THE EXPECTED ECONOMIC UPSWING WOULD BE MORE CONSTANT AND LASTING THE MORE STABLE PRODUCER AND CONSUMER PRICES, WHICH THEY WERE PLEASED TO NOTE HAD EASED OFF NOTICEABLY, REMAINED. THEY ALSO APPEALED TO THE OPEC COUNTRIES TO JOIN IN CO-OPERATIVE EFFORTS TO SECURE STABLE WORLD ECONOMIC GROWTH. THE HEADS OF GOVERNMENT MADE AN INTENSIVE SURVEY OF THEIR NATIONAL MEASURES AND AIMS IN THE ENERGY SECTOR AND ADVOCATED CONTINUED CLOSE INTERNATIONAL CO-OPERATION. THEY PROPOSE FURTHER IMPROVEMENTS IN THE CO-ORDINATION OF ENERGY POLICY PLANNED WITHIN THE FRAMEWORK OF THE EUROPEAN COMMUNITY AND MEASURES WITHIN THE SCOPE OF THE IEA. THE COUNTRIES INTERESTED IN THE IEA PROGRAM FOR LONG-TERM CO-OPERATION WOULD LIKE TO SEE IT ADOPTED IN THE NEAR FUTURE.

THE HEADS OF GOVERNMENT WERE DEFINITELY OPPOSED TO PROTECTIONIST TENDENCIES. THEY REAFFIRMED THEIR WILLINGNESS TO EXTEND THE TRADE PLEDGE GIVEN WITHIN THE FRAMEWORK OF OECD BEYOND JUNE 1976. THEY EMPHASIZED THE NEED TO PRESERVE FREE WORLD TRADE AND ADVOCATED THE PROGRESS-

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SIVE REMOVAL OF EXISTING BARRIERS TO TRADE. THE PARTICIPANTS NOTED THAT THE NEGATIVE BALANCE-OF-PAYMENTS SITUATION OF THEIR OWN AND OTHER INDUSTRIAL COUNTRIES HAD BEEN CONSIDERABLY IMPROVED NOT LEAST AS A RESULT OF INTERNATIONAL CO-OPERATION. THEY EMPHASIZED THE NEED TO CONTINUE THESE EFFORTS TO RESOLVE BALANCE-OF-PAYMENTS PROBLEMS AND TO SECURE STABILITY, AND FOR CLOSE CO-OPERATION IN THE FIELD OF MONETARY POLICY.

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 17460

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IN THE VIEW OF PARTICIPANTS IT HAD BEEN POSSIBLE WITH THE AID OF FLEXIBLE EXCHANGE RATES TO KEEP INTERNATIONAL TRADE LARGELY FREE FROM RESTRICTIONS IN SPITE OF THE OIL PRICE EXPLOSION, THE INCREASED BALANCE-OF-PAYMENTS DEFICITS IT HAD CAUSED, AS WELL AS RECESSION. SINCE, HOWEVER, SOME PARITIES HAD BEEN FLUCTUATING TO A DEGREE THAT DID NOT APPEAR JUSTIFIABLE IN TERMS OF THE ECONOMY AS A WHOLE, THE PARTICIPANTS CONSIDERED THAT MORE STABLE EXCHANGE RATES WERE DESIRABLE IN ORDER TO STIMULATE EXTERNAL TRADE AND ECONOMIC ACTIVITIES IN GENERAL. THEY WOULD THEREFORE ASK THEIR MONETARY AUTHORITIES TO EXAMINE HOW, THROUGH THE MEDIUM OF A MORE ACTIVE INTERVENTION POLICY ON FOREIGN EXCHANGE MARKETS, UNDESIRABLE FLUCTUATIONS COULD BE AVOIDED.

THE PARTICIPANTS WERE OF THE OPINION THAT IN ORDER TO OVERCOME PRESENT-DAY PROBLEMS EVERY MEMBER OF THE IMF SHOULD CONTINUE TO BE FREE TO CHOOSE ITS OWN EXCHANGE RATE REGIME. AT THE SAME TIME, HOWEVER, THEY FELT THAT MORE ATTENTION SHOULD BE PAID TO SECURING EXCHANGE RATE STABILITY. THEY RECOGNIZED THAT THE ULTIMATE AIM SHOULD BE A RETURN TO A PARITY SYSTEM. THE MINISTERS OF FINANCE WERE INSTRUCTED TO FORMULATE SOLUTIONS TO THIS END AT THE MEETING OF THE INTERIM COMMITTEE IN JAMAICA IN JANUARY 1976 ON THE BASIS OF THE PROPOSALS ALREADY DISCUSSED IN THE IMF.

THE PARTICIPANTS NOTED WITH CONCERN THE SHARP INCREASE

IN THE CURRENT TRANSACTIONS AND BALANCE-OF-PAYMENTS
DEFICITS OF THE POORER DEVELOPING COUNTRIES, MAINLY AS A
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RESULT OF THE OIL PRICE EXPLOSION. THEY ADVOCATE MORE
HELP FOR THE POOREST DEVELOPING COUNTRIES WITHIN THE
FRAMEWORK OF THE IMF TO EASE THEIR BALANCE-OF-PAYMENTS
PROBLEMS. THEY THEREFORE SUPPORT THE PROPOSAL OF A
TRUST FUND TO BE ADMINISTERED BY THE IMF WHICH WOULD AC-
QUIRE THE NECESSARY FUNDS ON THE CAPITAL MARKET, FROM THE
OPEC COUNTRIES AND INDIVIDUAL CENTRAL BANKS, AND WHICH
WOULD USE PART OF THE SURPLUS PROCEEDS FROM THE PROPOSED
SALE OF IMF GOLD RESERVES TO SUBSIDIZE INTEREST PAYMENTS.
THE PARTICIPANTS ALSO ADVOCATE AN EXTENSION OF COMPERSA-
TORY FINANCING TO OFFSET FLUCTUATIONS OF EXPORT EARNINGS,
THE AIM BEING TO AFFORD THE POOREST OF THE COMMODITY-
EXPORTING COUNTRIES LOANS ON HIGHLY CONCESSIONARY TERMS
IN CASES WHERE THEIR COMMODITY EXPORT EARNINGS DROP.
THE HEADS OF GOVERNMENT CONSIDER THAT THE DEVELOPMENT
PROCESS IN THE COMMODITY-EXPORTING DEVELOPING COUNTRIES
BE SPEEDED UP BY IMPROVING THE SYSTEM OF EXPORT EARNINGS
STABILIZATION (TRUST FUND, COMPENSATORY FINANCING) AND
BY THE CONCLUSION OF COMMODITY AGREEMENTS IN SUITABLE
CASES. THE HEADS OF GOVERNMENT HOLD THE VIEW THAT AN IN-
DEXATION OF COMMODITY PRICES WOULD HAVE AN INFLATIONARY
EFFECT AND WOULD THEREFORE BE AN UNSUITABLE MEANS OF
HELPING THE DEVELOPING COUNTRIES.
THE PARTICIPANTS ARE CONVINCED THAT WORLD ECONOMIC
PROBLEMS, ESPECIALLY IN THE FIELDS OF INTERNATIONAL
ENERGY, COMMODITY, MONETARY, TRADE AND DEVELOPMENT
POLICY, CAN FULLY BE OVERCOME THROUGH CO-OPERATION. THEY
THEREFORE WELCOME THE DIALOGUE INTO WHICH THE INDUSTRIAL
COUNTRIES ENTER WITH AN OPEN MIND AND WITH THE FIRM
DETERMINATION TO CONTRIBUTE TO ITS SUCCESS IN THE IN-
TEREST OF PEACEFUL AND FAVORABLE DEVELOPMENT OF THE WORLD
ECONOMY. END TEXT

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